

Press Release

Raipur Construction Private Limited (RCPL)

July 15, 2019



Rating Assigned & Reaffirmed

Total Bank Facilities Rated	Rs.50.00 crore (Enhanced from Rs.20.00 crore)
Long Term Rating	ACUITE BBB-/Stable (Assigned)
Short Term Rating	ACUITE A3 (Assigned & Reaffirmed)

Rating Rationale

Acuité has assigned the long term rating of **'ACUITE BBB-'** (read as **ACUITE triple B minus**) and reaffirmed short term rating of **'ACUITE A3'** (read as **ACUITE A three**). Acuité has also assigned the short term rating of **'ACUITE A3'** (read as **ACUITE A three**) to the Rs.50.00 crore bank facilities of Raipur Construction Private Limited (RCPL). The outlook is **'Stable'**.

Incorporated in 1998, Raipur Construction Private Limited (RCPL) is engaged in the business of civil construction and primarily undertakes road construction works in the states of Chattishgarh. The company is promoted by Mr. Mohammad Asgar and Mr. Mohammad Aamir. RCPL undertakes civil construction projects for Nagar Nigam Raipur, Water Resource Department (WRD), Chhattisgarh State Industrial Development Corporation (CSIDC), Public Works Department (PWD), Chhattisgarh Road Development Corporation (CGRDC), Indian Railway Construction Company Limited (IRCON), Pradhan Mantri Gram Sadak Yojana (PMGSY) among others.

Analytical Approach:

Acuité has taken a standalone view of the business and financial risk profile of RCPL to arrive at the rating.

Key Rating Drivers:

Strengths

Experienced management and long track record of operation

The company was established in 1998 by Mr. Mohammad Asgar and Mr. Mohammad Aamir has healthy experience of more than 25 years in civil construction work. During this tenure they have completed lot of major projects for Nagar Nigam Raipur, Water Resource Department (WRD), Chhattisgarh State Industrial Development Corporation (CSIDC), Public Works Department (PWD), Chhattisgarh Road Development Corporation (CGRDC), Indian Railway Construction Company Limited (IRCON), Pradhan Mantri Gram Sadak Yojana (PMGSY) among others.

Healthy financial risk profile

RCPL's healthy financial risk profile is marked by moderate net worth of Rs.29.17 crore in FY2019 (Prov.) as compared to Rs.24.35 crore in FY2018, mainly on account of retention of current year profit. The gearing of the company stands comfortable at 0.32 times in FY2019 (Prov.) as declined from 0.36 times in FY2018, this improvement in gearing is due to increase in net worth. The total debt of Rs.9.24 crore consists of long term debt taken from financial institution. The interest coverage ratio (ICR) of the company stood comfortable at 6.97 times in FY2019 (Prov.) as compared to 9.42 times in the previous

year. Debt service coverage ratio (DSCR) of the company stands comfortable at 3.22 times in FY2019 (Prov.) as compared to 7.30 times in previous year. Net cash accrual to total debt stands comfortable at 0.80 times in FY2019 (Prov.) as compared to 0.45 times in the previous year. Going forward, the financial risk profile is expected to improve as the company has no debt funded capex plans.

Healthy order book position

Company has unexecuted order book of Rs. 428.40 crore from different govt. department and expected to execute the entire order by next 2 to 3 years. This gives the revenue visibility for next 3 years.

Weaknesses

Modest scale of operation

Though the company has started operation since 1998, the scale of operation stood modest at 110.57 crore in FY2019 (Prov.) as compared to Rs.61.84 crore in FY2018. Reason for significance increase in revenue is mainly company has received fresh tender during the period.

Competitive and fragmented industry

RCPL is into road projects under EPC revenue model, wherein the sector is marked by the presence of several mid to large sized players. The risk becomes more pronounced as tendering is based on minimum amount of bidding on contracts, and susceptibility to inherent cyclicalities in the road sector. The recent relaxation of qualification norms by the Central Government for undertaking road projects is further expected to intensify the competitive scenario in the industry leading to pressure on the profitability margins. Acuite believes that RCPL's revenues and margins are susceptible to the competitive bidding scenario, besides its geographical concentration of its projects to the states of Chhattisgarh.

Liquidity Position:

The company has adequate liquidity marked by healthy net cash accruals of Rs.7.41 crore as against of Rs.3.94 crore of debt obligation. The nature of operation of the company is moderately working capital intensive reflected by high gross current asset (GCA) days of 91 in FY 2019 (Prov.). The liquidity of the company also supported by the free cash balance of Rs.1.59 crore as on 31st March 2019 (Prov.). Going forward, Acuite believes liquidity is likely to remain comfortable due to healthy accruals as against of repayment obligations and no major capex plan.

About the Rated Entity - Key Financials

	Unit	FY19 (Prov.)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	110.57	61.84	66.92
EBITDA	Rs. Cr.	9.61	5.29	5.50
PAT	Rs. Cr.	4.83	2.24	2.69
EBITDA Margin	(%)	8.69	8.56	8.23
PAT Margin	(%)	4.37	3.63	4.02
ROCE	(%)	21.30	14.66	38.06
Total Debt/Tangible Net Worth	Times	0.32	0.36	0.11
PBDIT/Interest	Times	6.97	9.42	9.61
Total Debt/PBDIT	Times	0.91	1.48	0.41
Gross Current Assets (Days)	Days	91	63	50

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Infrastructure Entities- <https://www.acuite.in/view-rating-criteria-14.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
2 nd July 2019	Bank Guarantee	Short Term	20.00	ACUITE A3 (Assigned)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Overdraft	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE BBB-/Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE A3 (Reaffirmed)
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	29.00	ACUITE A3 (Assigned)

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About Acuité Ratings & Research:

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